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MEMORANDUM

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Utilities Division

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

SEP 29 2011

DATE: September 29, 2011

DOCKETED BY

RE: PAYSON WATER COMPANY, INC. (DOCKET NOS. W-03514A-10-0116 AND W-03514A-10-0117)

In Decision No. 71902, dated September 28, 2010, the Arizona Corporation Commission ("Commission") approved the application of Payson Water Company ("Payson" or "Company") for approval of a water augmentation surcharge/emergency rate tariff. As part of Decision No. 71902, the Commission ordered that Payson should:

"...file an application for permanent rate relief no later than one year from the effective date of this Decision.

Based on the Commission ordered one year timeframe, the original due date for compliance with the above requirement was on or about September 27, 2011.

On September 8, 2011, Payson filed a motion seeking an extension of time for the provision of the application for permanent rate relief. The Company seeks to extend the date for providing the rate application by 120 days, from the current due date of September 27, 2011, to a proposed date of January 31, 2012.

The application also states that Payson received an Interim Water Augmentation Surcharge ("Surcharge") which was implemented to allow them recover the costs of augmenting their water supply for the Mesa Del Caballo system from May through September each year. The Company describes the surcharge and the need for surcharge data as follows:

The surcharge is designed to allow Payson Water to recover its costs of supplementing water supplies for its Mesa Del Caballo system between the months of May and September each year. These costs are merely passed through to the end user, and do not include the recovery of any administrative costs, nor does it provide Payson Water with any excess funds or profit. In order to provide an accurate accounting of the costs for supplemental water supplies, Payson Water will need information and data through the 2011 season when water augmentation was necessary – including all water augmentation that occurs in September, 2011.

In addition, Payson Water has been required to augment the Mesa Del Caballo system with water supplies outside the time the Surcharge is in effect (i.e. January and February 2011), and expects further water augmentation will be necessary after September 2011. These costs are not currently recovered from ratepayers.

In summary, Payson's application seeks enough time to collect full year information about a primary operational issue which has created a significant set of expenditures on the Company. Staff concludes that it will be simpler and less costly for the Company to produce and conduct a rate case utilizing calendar year 2011 for its Test Year. A 2011 Test Year will further defer the timing of a rate increase to customers and would also likely prevent the Company from doing extra accounting work to produce a rate filing prior to the end of 2011. An extension of time therefore provides benefit to both the Company and ratepayers.

Staff contacted Company Legal Counsel to discuss the appropriateness of the January 31, 2012, due date proposed in the application. The Company stated that its goal was to submit the application as soon as possible based on the 2011 calendar year end. Based on the fact that the Company proposes to utilize the 2011 calendar year, Staff finds it appropriate to recommend a different date, one that will better allow the Company time to prepare and submit an adequate rate application to the Commission.

Therefore, based on all of the above, Staff recommends that the Commission extend the due date for provision of the application for permanent rate relief from September 27, 2011 until March 31, 2012. Staff further recommends that the Company complete the rate application utilizing a calendar year 2011 Test Year.

SMO:BKB:lhv

Originator: Brian K. Bozzo

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DOCKET NOS.

PAYSON WATER COMPANY, INC.
W-03514A-10-0116 and W-03514A-10-0117

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